

**PUBLIC SERVICE COMMISSION
STATE OF MONTANA**

Dave Fisher, Chairman
Nancy McCaffree, Vice Chair
Bob Anderson
Danny Oberg
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SEP 25 1997

FCC MAIL ROOM

September 24, 1997

Office of the Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington DC 20554

DOCKET FILE COPY ORIGINAL

RE: CC Docket No. 96-45
DA 97-1957

Dear Sir:

Enclosed for filing in the above described docket are the Comments of the Montana Public Service Commission. I have enclosed the original and four copies. Please return a conformed copy of this letter. I have enclosed a self-addressed stamped envelope for your convenience.

Sincerely,

A handwritten signature in cursive script, appearing to read "Karen Finstad Hammel".

Karen Finstad Hammel
Staff Attorney

KH/dlp

Enclosures

024

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

RECEIVED
SEP 25 1997
FCC MAIL ROOM

In the Matter of) CC Docket No. 96-45
Federal-State Joint Board)
on Universal Service) DA 97-1957

**COMMENTS OF THE
MONTANA PUBLIC SERVICE COMMISSION
ON UNIVERSAL SERVICE SUPPORT DISTRIBUTION OPTIONS
FOR SCHOOLS, LIBRARIES,
AND RURAL HEALTH CARE PROVIDERS**

The Montana Public Service Commission (MPSC) files the following comments in response to the Public Notice in CC Docket 96-45 concerning universal service support distribution options for schools, libraries, and rural health care providers:

1) Whether a "window" period should be established in which all beneficiaries filing within that period would be given equal priority.

The MPSC commends the Federal Communications Commission (Commission) for seeking additional comments on distribution options for schools, libraries and rural health care providers. The MPSC has taken an active role in assisting the Montana education and health organizations with public information outreach (*see* Attachment A). One of the MPSC's 13 utility division staff has been dedicated to this outreach effort and, since May 8, 1997, has traveled the state of Montana meeting with educators, librarians, and individuals in communities in a dedicated effort to increase public awareness of the funding assistance now available to make telecommunications connections affordable for even the most remote of Montana areas. Though this outreach, it has become very apparent that Montana's 357 public K-12 school districts, serving over 165,500 students in our nation's fourth largest state, have not yet had the

opportunity to adequately conduct the technology planning and assessment required for good decision making in the Commission's application process for discounted telecommunications services.

In states such as Montana, education decisions are still made at the local level without links to any strong, centralized, well established state technology network. In order to take full advantage of this program, which truly opens new and global education opportunities through the doors of telecommunication, individual schools, their administration and local boards, need to fully address their own technology and curriculum requirements. Additionally, they must work to establish networks within and beyond their communities to make consortia purchasing a reality. Schools must begin to network with each other, with the libraries located within their areas, with the health clinics and rural hospitals serving their area, and with their city, county, and state agencies. This networking takes time. The very nature of many states' ruralness and isolation acts as a barrier to their abilities to expedite the discount application process.

Although giving equal priority to applicants filing within certain windows is a positive step toward assuring equitable funding, it only partially addresses the issue of a fair and equitable opportunity for access to discounts for all states. The MPSC has learned, through our extensive public outreach, that any state's schools, libraries, and health care facilities should not be rushed into a haphazard application filing simply to get some share in available discount funds.

A window or series of windows for filing applications should also include an assurance that all states, regardless of where they are on the "discount information curve," should have some opportunity for funding assistance. The goal of providing affordable telecommunications services to rural America, the goal of providing telecommunications connections for all the

nation's schools and libraries, especially those located in the most rural areas, must continue to be the central focus for administration of the universal service fund.

2) Whether to clarify that the rules of priority for distributing funds to schools and libraries set forth in 47 C.F.R. § 54.507 apply to the \$1 billion available between January 1, 1998 and June 30, 1998.

The MPSC supports this distribution priority for the period January 1, 1998 through June 30, 1998.

3) Whether a mechanism to prioritize requests from rural health care providers should be adopted in the event that requests exceed available funds and whether such a mechanism should be permanent.

The MPSC supports a permanent distribution priority mechanism ensuring that funds are distributed to rural health care providers in all regions of the country.

4) Whether other methods might ensure a broad and fair distribution of funds, particularly at the earliest stages of the support programs.

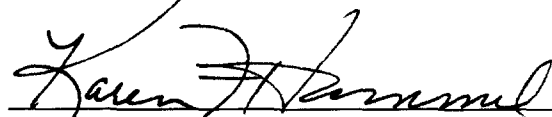
The MPSC commends the Commission's efforts to quickly and efficiently implement the discount program and the decision to base discount levels upon an urban-rural designation and economic indicators. With the real concerns that the universal service fund may not be sufficient to fully fund all applications, particularly the first year, the Commission wisely solicits comments on alternative options for broad and fair distribution of discount funds. The MPSC joins in the concerns expressed by Montana EdLINC, the collective voice of the education and library organizations in this state.

The MPSC suggests an additional funding prioritization for at least the first program year. Such a prioritization may include factors which weigh existing data such as a state's average unseparated non-traffic sensitive revenue requirement per loop (cost per loop) as calculated pursuant to the Commission's existing high cost mechanisms. A state's ranking by average loop costs would seem to be an indicator of that state's advanced services connection costs relative to other states. Utilizing loop costs as a weighting factor ensures that funding assistance will be targeted to those areas having the highest connection costs. Because of the high connection costs, these areas are also those least likely to presently enjoy the benefits of advanced services such as Internet access.

MPSC suggests that specific fund amounts, as determined by the Commission, be allocated for each state or territory for the first year of the program. By using this method, filing windows would apply to each state's applications and funding allocations determined for the first program year.

Dated this 24th day of September, 1997.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Karen Finstad Hammel", written over a horizontal line.

Karen Finstad Hammel
Staff Attorney
Special Assistant Attorney General
Montana Public Service Commission
1701 Prospect Avenue
PO Box 202601
Helena MT 59620-2601

ATTACHMENT A
DA 97-1957

Montana PSC Staff Outreach

April 1997 -	Staff attended first MT EdLINC meeting; ongoing coordination with that group for outreach programs
May 7, 1997	FCC issued Order
May 22, 1997	PSC sponsored round table discussion of telecommunications issues including federal and state discounts for schools, libraries and health care providers. Participants were representative of telecommunications providers, schools, libraries, health care providers, and the general public.
June 1997	Development of Universal Service/Universal Access Web Site on PSC home page; coordinated sites and links with Montana State Library and Montana Office of Public Instruction
June 25, 1997	Presentation at the Montana Rural Education Association annual meeting (administration & boards of Montana's most rural schools)
July 7, 1997	News release to all daily and weekly Montana newspapers
July 9, 1997	Outreach memo to schools, libraries, and health care organizations
July 17, 1997	Outreach memo to schools, libraries, and health care organizations
July 17, 1997	Presentation to Montana ComNet organization (community network meeting involving seven Montana counties)
July 29, 1997	Outreach memo to schools, libraries, and health care organizations
Sept 3, 1997	Presentation at Montana School Board Assoc. Regional Meeting Livingston, MT
Sept 4, 1997	Presentation at Montana School Board Assoc. Regional Meeting Dillon, MT
Sept 9, 1997	Letter from PSC chairman mailed to all Montana school superintendents and school board clerks detailing funding opportunities
Sept 16, 1997	Outreach memo to schools, libraries, and health care organizations
Sept 16, 1997	Presentation to Fall Conference for Montana School Superintendents (sponsored by School Administrators of Montana, Montana Rural Education Assoc. and Montana School Board Assoc.) - Great Falls, MT

Sept 1997 Development of information pamphlet (enclosed) with MT EdLINC

Sept 27, 1997 Presentation to Montana State Library Regional meeting - Billings, MT

Additional PSC Outreach assistance provided for the following:

Montana School Board Assoc. regional meetings:

Chinook, MT	Lewistown, MT
Wolf Point, MT	Missoula, MT
Glendive, MT	Kalispell MT
Miles City, MT	Conrad, MT
Helena, MT	Roundup, MT

Pending PSC Scheduled Outreach:

Oct 2, 1997 Montana City school board meeting (Montana City, MT)

Oct 3, 1997 Montana Telephone Assoc. annual meeting (Lewistown, MT)

Oct 4, 1997 Anaconda, MT (Regional Library meeting)

Oct 9, 1997 Conrad, MT (Regional Library meeting)

Oct 11, 1997 Miles City (Regional Library meeting)

Oct 16, 1997 Montana Conference of Education Leadership - Great Falls, MT

Oct 1997 Montana EdLINC Video Teleconference on E-Rate

Nov 17, 1997 Montana Independent Telecommunications Systems annual meeting - Billings, MT

The federal Telecommunications Act of 1996 offers federally funded discounts — termed E-rates — to schools, libraries and rural health care providers for certain telecommunications services. The amount available annually for the school and library discounts is \$2.25 billion and \$400 million is available for health care provider discounts for advanced telecommunications services.

Montana libraries and K-12 public and non-public schools may apply for the discounts through the National Exchange Carriers Association (NECA), which was designated by the Federal Communications Commission to administer the E-rate program. The federal fund provides telecom discounts ranging from 20% to 90%. Most Montana schools and libraries qualify for substantial discounts. Funding assistance for access to advanced telecommunications for rural health care providers through a federal program also administered by NECA.

Additional state-funded discounts may be available to Montana schools, libraries, tribal colleges, health care providers and community public access points through the Universal Access Program established by the 1997 Legislature and administered by the Montana Public Service Commission.

? Q & A ?

What is covered by the discounts?

The discount applies to all telecommunications services (local and long distance), installation, internal connections, and Internet access, including communications links to Internet service providers, file servers, and wireless local area networks.

What isn't covered by the discounts?

Teacher and employee training, voice mail, fax machines, modems, software and computers.

How can I determine my school's or library's discount rate?

The discount level is based on a school's or library's level of economic disadvantage and its location (see table below). A school's economic disadvantage depends on the percentage of its students eligible for the program. A library's discount level is based on the percentage of students eligible for the school lunch program in which the library is located. A listing of discounts by school district is posted on OPI's internet website at opi.mt.gov/Erates.html.

DISCOUNT RATES						
Percentage of students eligible for free or reduced-price lunches	0-1%	1-19%	20-34%	35-49%	50-74%	75-100%
Discount rate for urban schools	20%	40%	50%	60%	80%	90%
Discount rate for rural schools	25%	50%	60%	70%	80%	90%

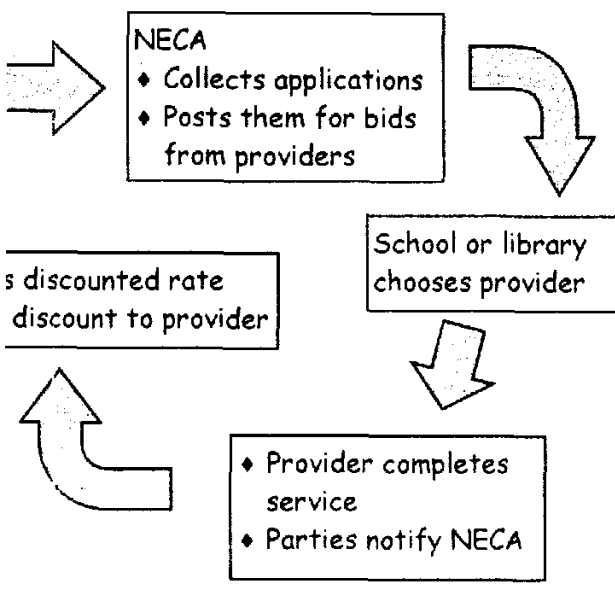
A school lunch program with under 100 students qualifies for these alternative discount rates. Montana S

How can I lower costs?

Applicants are encouraged to join consortia to secure cost-based, pre-discount prices for the services. They must certify that the price they offer to schools and libraries is no greater than the lowest corresponding price a carrier has previously charged or is currently charging in the market. For future years, schools must collect the statistics for the school lunch programs. The higher the school lunch numbers are, the

ATION PROCESS

ie Internet web site of the National Exchange
you do not have Internet access, OPI and the
electronic filing of the applications for the



FOR MORE INFORMATION

Steve Meredith
Office of Public Instruction
406-444-3563
Internet: www.opi.mt.gov

National Exchange Carrier Assn.
necanet.org

EdLiNC
edlinc.org/edlinc/discounts

US Dept of Education
1-800-USA-LEARN
www.ed.gov/technology

ASSISTANCE WITH TECH PLANNING

Schools and libraries must submit technology plans along with their E-rate applications. The following individuals may be contacted for assistance with instruction technology (IT) and/or technology planning (TP) and Library Technology Planning (LP).

Barb Anderson (IT)
Peterson Elementary - Kalispell
406-756-5067/barba@cyberport.net

Steve Meredith (TP)
Office of Public Instruction - Helena
406-444-3095/smeredith@metnet.mt.gov

Cynthia Denton (IT) - Hobson
406-423-5505/cdenton@cris.com

Darlene Staffeldt (LT)
Montana State Library - Helena
406-444-5381/dmstaff@wln.com

Bill Lee (IT)
6th Grade Teacher - Winifred
406-462-5420/bill@metnet.mt.gov

Barb Ridgeway (IT)
Helena Public School District #1
406-447-8526/bridgeway@mtlib.org

Diane Econom (IT)
Middle School Teacher - Denton
406-567-2270/deconom@cris.com



Making
Connections



The E-Rate

Telecommunications
Discounts
for
Schools, Libraries
& Health Care
Providers

Produced by the Montana Education &
Library Networks Coalition (EdLiNC)

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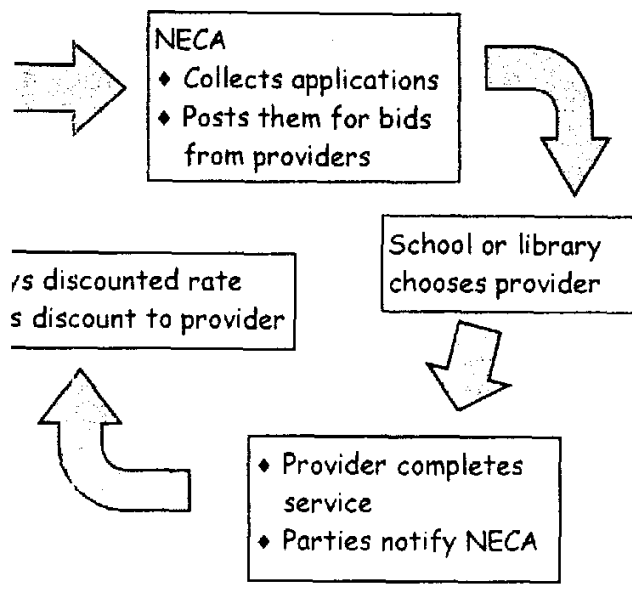
A school that provides a lunch program with under 100 students is eligible for these alternative discount rates. Montana S

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APPLICATION PROCESS

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If you do not have Internet access, OPI and the
the electronic filing of the applications for the



FOR MORE INFORMATION

Steve Meredith
Office of Public Instruction
406-444-3563
Internet: www.opi.mt.gov

National Exchange Carrier Assn
www.neca.org

US Dept of Education
1-800-USA-LEARN
www.ed.gov/technology

EdLiNC
www.itc.org/edlinc/discounts

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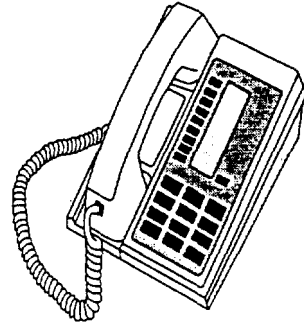


TELECOMMUNICATIONS

New Worlds

New Opportunities

WHAT IS UNIVERSAL SERVICE?



- ◆ **Affordable, quality telecommunications services must be available to *all Americans*. (Federal Telecommunications Act of 1996)**

- ◆ **Rural, small, and high cost telephone companies must continue to receive adequate funding in Universal Service support in order to provide this service.**

- ◆ ***Additionally* - Federal funds will be available to help connect schools, libraries, and rural health care providers to the global telecommunications network.**

TELECOMMUNICATIONS OPPORTUNITIES

for Montana schools, libraries, and health care providers

CONCURRENT EVENTS

MONTANA

1997 Legislature - SB 89

Universal Service

Allow for implementation of the federal support system for telecom services to schools, libraries, health care providers

Universal Access

Allocates \$250,000 FY98 & \$500,000 FY99 (includes public access points & tribal colleges)

Funded by surcharge on telecom service providers (Montana funded)

Available only after federally funded discounts are used by eligible applicants

Lead Agency: PSC

FEDERAL

Congress - Telecommunications Act of 1996

Universal Service

Joint Board made recommend. to FCC for linking schools, libraries, health care to telecom services/Nov 96

FCC reviewed Joint Board recommendations & issued decision May 7, 1997

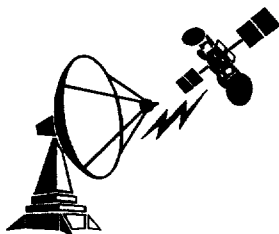
Earmarks \$2.25 billion/year for schools & libraries; \$400 million/year for health care providers

Funded by Universal Service tax on telecom service providers (Federally Funded)

Lead Agency: FCC

FEDERAL UNIVERSAL SERVICE PROGRAM

FCC contracts with NECA (National Exchange Carriers Association) to administer the program which will annually disburse from the federal universal service account \$2.25 billion for schools & libraries and \$400 million for health care providers for telecommunications services.



SCHOOLS/LIBRARIES

- **What qualifies for discounts?**

Any commercially available telecommunications services, Internet access and internal connections (internal wiring)

- **Who is eligible for discounts?**

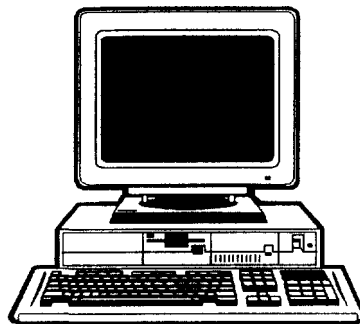
Public and non-profit schools (K-12) and public libraries

- **What's the application process?**

Applications filed on a Web, posted for 4 weeks, vendors respond, applicant selects provider, discounted funds are distributed to provider.

- **What's the term for the discounts?**

Applications must be approved annually.



■ **How is the discount determined?**

SCHOOLS AND LIBRARIES DISCOUNT MATRIX			DISCOUNT LEVEL
% of Students eligible for national school lunch program	Estimated % of US schools in category	Urban discount %	Rural Discount %
< 1	3	20	25
1-19	31	40	50
20-34	19	50	60
35-49	15	60	70
50-74	16	80	80
75-100	16	90	90

(U.S. Office of Management and Budget's Metropolitan Statistical Area method determines urban or rural designation.)

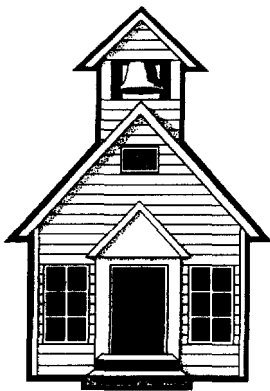
Cascade and Yellowstone Counties are the only Montana counties designated as urban.

Discounts as Determined by OPI

A library's discount level is based upon the school lunch eligibility in the public school district in which the library is located.

If a town sends its children to other towns to school, the discount for a library in that town is based on an average of the % of discount level for each school district in which the town's children attend school.

Libraries can compute discounts on individual branch basis or on a system average of all the school districts in which branches are located.



Scobey	K-12	50%
Bainville	K-12	50%
Plentywood	K-12	60%
Glasgow	K-12	60%
Opheim	K-12	50%

Malta Elementary	60%	High School	50%
Dodson Elementary	80%	High School	70%
Saco Elementary	60%	High School	50%

Wolf Point	Elementary	80%	High School	70%
Culbertson	Elementary	70%	High School	50%
Froid	Elementary	70%	High School	70%
Poplar	Elementary	90%	High School	80%



APPLICATIONS

Applicant Information

Self Certification

Eligibility

Use for Educational Purposes

No Resale of services

Identify Co Purchasers if any

Funding commitments

State procurement procedures o.k.

**Technology Plan - Approved by OPI or
MT State Library**

Certify:

Technology inventory/assessment

Maintain records

Cost Effective (bidding process, etc.)

Discount Level

Consortium Participants

Facilities and services

Evaluation Criteria



HEALTH CARE PROVIDERS

■ What qualifies for discounts?

- 1) Distance charges for commercially available bandwidths up to 1.54 Mbps**

(Telecommunications carriers must charge rural health care providers a rate for a supported service that is no higher than the rate charged to a commercial customer for similar service in the state's closest city of at least 50,000 population.)

- 2) Access to Internet service provider**

The lesser of \$180 of toll charges per month or amount of toll charges incurred for 30 hours of Internet access.

■ Who is eligible for discounts?

Public or non-profit rural health care providers

■ What's the application process?

Applications filed on a Web, vendors respond, applicant selects provider, discounted funds are credited against providers universal service obligation.

■ What's the term for the discounts?

Applications must be approved annually.

Montana Interim Universal Access Program

(www/psc.mt.gov/tcom)

PSC administers program to allocate \$250,000 in FY 98, \$500,000 in FY99, for linking **public access points, tribal colleges**, schools, libraries, health providers.



Montana funds provide 50% discount for the cost of a 56 KBS dedicated circuit to the nearest access point. (Distance charges)

COST: Capped at \$100/month if funds are available. (The cap does not include monthly fees/frame relay service costs.)

PREREQUISITE: Eligible customers must take advantage of federally funded discounts before obtaining additional Montana funding. State funded discounts are reduced by federal discounts.

PRIORITIES: #1 - public access point in every Montana community #2 - tribal colleges
#3 - schools, libraries, and health care facilities.

FUNDING CAPS: If eligible discounts exceed funding (\$250,000 and \$500,000), discounts will be reduced proportionally.

Implementation of Montana Universal Access Program



- **PSC establishes surcharge rates for telecommunications carriers providing service in Montana in order to fund the Interim Montana Universal Access Program. (.06% retail revenue surcharge)**
- **PSC coordinates with Montana Department of Revenue for collection of the surcharge.**

(Who pays the surcharge? What is the correct rate? How will it be collected?)

- **PSC appoints oversight group, consisting of users and industry participants, to meet quarterly with the Commission to review revenue, discounts, and the administration of universal access.**
- **PSC writes Montana Administrative Rules for administering program.**

Rules have been filed with the Secretary of State and noticed for comment.

Application form and process are outlined in rules.

Implementation of Montana Universal Access Program



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Application form and process are outlined in rules.

Time Lines

*** Federal Funds ***

June 25, 1997 - PSC adopts
intrastate discount levels for
for federal funds

Mid Fall??? - Web site and applications available

January 1, 1998 - Distribution of funds begins

*** Montana Funds ***

July 7, 1997 - PSC noticed rules for comments
(Universal Access)

August 22, 1997 - Final date for comments

January 1, 1998 - Deadline for applications for first distribution
(\$250,000)

March 1, 1998 - Applicants notified of approved discount
amounts

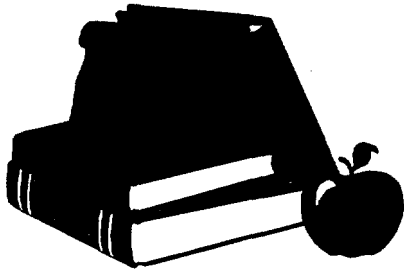
April 1, 1998 - Disbursement of funds to providers

January 1, 1999 - Deadline for applications for second
distribution (\$500,000)

March 1, 1999 - Applicants notified of approved discount
amounts

April 1, 1999 - Disbursement of funds to providers





Resources

**Montana Public Service Commission - www.psc.mt.gov/tcom
Bonnie Lorang 444-6191**

**Office of Public Instruction - www.metnet.mt.gov/opi
Steve Meredith 444-3563**

**Montana State Library - www.msl.mt.gov/admin/telnet.html
Karen Strege 444-3115**

**Federal Communications Commission -
www.fcc.gov/ccb/universal www.fcc.gov/learnnet
1-888-CALL-FCC www.fcc.gov/healthne**

National Exchange Carrier Association (NECA) - www.neca.org/

**State Public Utility Commission Web sites -
www.erols.com/naruc/stateweb.htm**

**US Dept of Education - www.ed.gov/Technology/
1-800-USA LEARN**

EdLiNC - www.itc.org/edlinc/discounts/

Merit Network, Inc. - www.merit.edu/

American Library Association - www.ala.org/oitp/univserv

**Montana School Board Association
School Administrators of Montana Assoc.
Montana Rural School Administrators
Montana Education Association
Montana Hospital Association
Montana Library Association**



AS WE SPEAK.....

- **Southern Bell Co., Pacific Bell and Nevada Bell have asked the FCC to stay portions of the universal service order including the discount provisions for schools, libraries and health care providers.**
- **Southern Bell Co. has asked the U.S. Circuit Court of Appeals to examine portions of the universal service order, including the discount provisions for schools, libraries and health care providers.**
- **The U.S. Senate plans to hold hearings within the next few months to look at implementation of the 1996 Federal Telecommunications Act.**
- **In reviewing these issues, generally, parties agree that the bottom line for consideration is whether local telephone rates will be increased to pay for implementations of the federal Act.**